

THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

DOCKET NO. 2021-130-S

IN RE: Joint Application for Approval of the	)	REBUTTAL TESTIMONY
Sale of Assets and Transfer of	)	
Facilities, Territory and Certificate of	)	OF
Public Convenience and Necessity	)	
from Synergy Utilities, L.P. to South	)	CRAIG SORENSEN
Carolina Water Utilities, Inc.		

1 Q. PLEASE STATE YOUR NAME AND POSITION WITH SOUTH CAROLINA  
2 WATER UTILITIES, INC.

3 A. My name is Craig Sorensen. Among other offices, I am President of South Carolina  
4 Water Utilities, Inc. ("SCWU" or "Company"), which is part of Southeast Utilities, a  
5 business unit of SouthWest Water Company ("SouthWest").

6 Q. ARE YOU THE SAME CRAIG SORENSEN WHO PREVIOUSLY FILED  
7 TESTIMONY IN THIS PROCEEDING?

8 A. Yes.

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10 A. The purpose of my testimony is to provide the SCWU's response to the Direct  
11 Testimony of ORS and the Intervenors in this proceeding.

12 Q. THE ORS OPINES THAT THE JOINT APPLICANTS ARE FOCUSED ON  
13 ACHIEVING THE HIGHEST POSSIBLE RETURN FOR THEIR

1           **RESPECTIVE OWNERS AND MAINTAINING THE STATUS QUO; HOW**  
2           **WOULD YOU RESPOND?**

3    A.    If SCWU'S sole focus were on achieving the highest possible return and maintaining  
4           the status quo, the company would not have proposed to give the Northwoods system,  
5           customers and assets, to Orangeburg DPU at zero cost. SCWU's mission is to provide  
6           safe and reliable water and wastewater services; a reasonable return is necessary to  
7           attract capital sufficient to accomplish that mission.

8    **Q.    IS THE COMPANY SEEKING AN ACQUISITION ADJUSTMENT IN THIS**  
9           **PROCEEDING?**

10   A.    No.

11   **Q.    WILL SCWU REQUEST AN ACQUISITION ADJUSTMENT IN THE**  
12           **FUTURE RELATED TO THE SYNERGY ACQUISITION?**

13   A.    No.

14   **Q.    WILL SCWU MAINTAIN ITS PERFORMANCE BONDS IF THE**  
15           **TRANSACTION WERE APPROVED?**

16   A.    Yes. Regardless of the outcome of this docket, the Company will continue to maintain  
17           its performance bond as required by statute.

18   **Q.    THE ORS SEEKS TO PREVENT THE COMPANY FROM FILING A**  
19           **REQUEST FOR AN ADJUSTMENT TO GENERAL RATES BEFORE JULY 1,**  
20           **2023; WILL THE COMPANY AGREE TO THIS?**

1 A. No. SCWU has a constitutional right to be given the opportunity to earn a reasonable  
2 return on its investment.

3 **Q. WOULD SCWU PROVIDE CUSTOMERS OTHER QUANTIFIABLE**  
4 **BENEFITS IF THIS TRANSACTION WERE APPROVED?**

5 A. Yes. Customers will receive the benefit of five qualified licensed wastewater operators  
6 as opposed to one, Mr. Parnell. In addition, SCWU will provide a fully staffed billing  
7 and customer service department, whereas Synergy's office has one full-time and one  
8 part-time employee.

9 After the merger, Synergy customers will have available twelve customer  
10 service representatives with customer service representatives available 24 hours per  
11 day as opposed to one representative at Synergy, Mr. Parnell himself. Synergy's  
12 customers rely solely on Mr. Parnell to answer his cell phone after business hours. If  
13 this transaction is approved, SCWU's customers will receive the benefit of a deeper  
14 roster of wastewater operators and field technicians who will be on-call 24-7 to respond  
15 to customer emergencies.

16 Also, Synergy does not employ any information technology ("IT")  
17 professionals within the organization. Customers will receive quantifiable benefits  
18 through SCWU's IT experts to protect personal and sensitive customer information.  
19 While the ORS is correct that Synergy customers can make credit card payments, they  
20 must do so over the telephone during business hours or by authorizing a direct draft.  
21 After the merger, customers will benefit from electronic payment 24 hours per day from  
22 their computers or cell phones. ORS also fails to acknowledge any benefit resulting

1 from the resiliency of SCWU's corporate resources. Such resources are critical for the  
2 long-term success of any utility.

3 **Q. ORS STATES MR. PARNELL'S EMPLOYMENT BY SCWU WILL RESULT**  
4 **IN ADDITIONAL COSTS TO SYNERGY'S CUSTOMERS; IS THE ORS**  
5 **CORRECT?**

6 A. No. Mr. Parnell is currently paid a salary from Synergy, and his salary with SCWU  
7 will be less than his current one.

8 **Q. WILL THE COMPANY RECEIVE TAX BENEFITS FROM THE GOODWILL**  
9 **ASSOCIATED WITH THE TRANSACTION?**

10 A. Yes.

11 **Q. WHY DO CUSTOMERS NOT RECEIVE THE TAX BENEFITS ACCRUING**  
12 **FROM GOODWILL?**

13 A. The Company will not request rate base treatment of the goodwill associated with the  
14 purchase price. Consequently, SCWU's customers will not pay for the goodwill.  
15 Because the customers are not paying for goodwill, they do not receive any tax benefit  
16 it provides. This is standard accounting procedure for regulated utilities.

17 **Q. THE ORS STATES THAT TRANSITION COSTS PROVIDE LITTLE OR NO**  
18 **BENEFIT TO THE CUSTOMER; HOW DO YOU RESPOND?**

19 A. SCWU is not seeking recovery of transition costs or any other costs in this proceeding.  
20 SCWU would only be allowed to recover prudently incurred transition costs, such as

1 those that enhance customer service, cyber security, regulatory compliance, or other  
2 benefits, in a future rate proceeding.

3 **Q. WOULD SCWU AND SOUTHWEST PROVIDE THE COMMISSION AND**  
4 **ORS ACCESS TO ALL BOOKS AND RECORDS OF AFFILIATED**  
5 **TRANSACTIONS BETWEEN SCWU AND SOUTHWEST OR SCWU AND**  
6 **ANY OTHER SOUTHWEST AFFILIATE?**

7 A. Yes. However, the company should not be required to provide affiliate transaction data  
8 unrelated to SCWU.

9 **Q. WHAT IS THE STATUS OF NEGOTIATIONS FOR THE TRANSFER OF THE**  
10 **NORTHWOODS SYSTEM FROM SCWU TO THE ORANGEBURG**  
11 **DEPARTMENT OF PUBLIC UTILITIES?**

12 A. Orangeburg DPU officials have informed SCWU and the ORS that it intends to take  
13 ownership of the system serving the Northwood subdivision. As confirmed to the  
14 Commission by Jack Pringle, Orangeburg DPU's counsel, funding must be obtained,  
15 and Orangeburg City Council must approve the transfer at no cost to the city. All  
16 parties are optimistic; however, the parties have been informed that Orangeburg City  
17 Council may not approve the transfer before the hearing in this matter. SCWU is  
18 prepared to transfer the system after taking ownership of Synergy.

19 **Q. THE ORS MAKES THE UNPRECEDENTED RECOMMENDATION THAT IF**  
20 **SCWU OWNS THE SEWER SYSTEM SERVING NORTHWOODS**  
21 **SUBDIVISION, IT SHOULD BE REQUIRED TO INVEST FUNDS TO**

1           **IMPROVE THE SYSTEM BUT BE PROHIBITED FROM RECOVERING THE**  
2           **COST OF THESE IMPROVEMENTS IN RATES; HOW DO YOU RESPOND?**

3    A.    As I have testified, SCWU has a constitutional right to the opportunity to earn a  
4           reasonable return on its investment. If, for some reason, the Northwoods system cannot  
5           transferred to the Orangeburg DPU after the merger, SCWU would invest the necessary  
6           capital it requires, as it would for any other part of its system, and SCWU would expect  
7           rate recovery of any prudently invested capital. Denying SCWU recovery of its  
8           investment would amount to an unconstitutional taking. ORS's recommendation only  
9           discourages well-capitalized utilities such as SCWU from accepting ownership of  
10          challenged sewer systems such as Northwoods and making the investments necessary  
11          to provide reliable and high-quality service.

12   **Q.    THE ORS PROPOSES THAT SCWU NOT BE GRANTED FULL RECOVERY**  
13       **OF ITS BULK SEWER COSTS IF THE NORTHWOODS SYSTEM IS NOT**  
14       **TRANSFERRED TO ORANGEBURG DPU; DO YOU AGREE?**

15   A.    No. The Commission should keep in mind that neither Synergy nor SCWU earns a  
16          return on the commodity charges. ORS is recommending the Commission deny  
17          recovery of out-of-pocket expenses. Synergy has voluntarily capped its pass-through  
18          of Orangeburg DPU's Commodity/Capacity charges to 400 gallons per day, or 12,000  
19          gallons per month, but this cannot continue indefinitely. Either company has a right to  
20          recover its pass-through expenses as approved by this Commission and in compliance  
21          with Synergy's current tariff.

1    **Q.    DOES THE COMPANY AGREE TO PROVIDE CUSTOMERS WITH THE**  
2       **SERVICE ENHANCEMENTS LISTED IN ORS' TESTIMONY WITHIN**  
3       **SIXTY (60) DAYS OF THE ACQUISITION CLOSING?**

4    A.   No. This proposed deadline is arbitrary, and SCWU may not be able to meet it.  
5       Protecting customer information and providing a smooth transition is extremely  
6       important to SCWU, as it should be to the ORS and Commission as well. The Company  
7       has every intention to provide these service enhancements as soon as practical and  
8       commits to providing them within 120 days of closing.

9    **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

10   A.   Yes, it does.